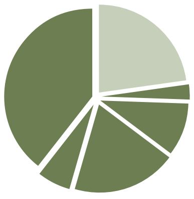




Enterprise Funds

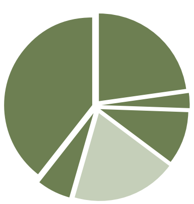
These funds consist of utilities, recreational facilities and contractual police services primarily supported by user fees. Operating expenses do not include debt service expenses, capital outlay or transfers to other funds. Utility fees were not increased in 2003.

		2003 Budget	2004 Budget	Average fee Per month
Community Services	Recreational Facilities	$4,076,474	$4,181,189	$1.50***
Public Safety	Contractual Police	619,800	619,800	--
Public Works	Solid Waste Management	712,754	757,518	1.66**
	Storm Water Utility	2,194,908	2,363,377	3.82
	Waste Water Utility	7,987,948	8,349,405	10.19
	Water Utility	8,790,883	9,111,182	14.56*
Technical Services	Motor Vehicle Office	460,389	472,414	--

*Based on 7,500 gallons per month.

**Residents receive a 78 cent recycling credit per month from a county grant.

***Average property tax cost for median home per month.

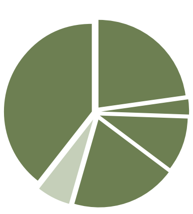


Internal Services Funds

These funds finance interdepartmental goods and services on a cost-reimbursement basis. Internal Services Funds are supported by user fees already included as expenses to other funds in this report. Operating expenses do not include debt service, capital outlay or transfers to other funds.

	2003 Budget	2004 Budget
Equipment Pool	$3,840,515	$3,879,282
Facilities Replacement	4,015,065	3,533,190
Information Systems	3,221,939	3,318,932
Insured Benefits	5,127,675	5,852,100
Public Safety Radio	565,149	550,135
Self-Insurance	**	**
Support Services	630,791	586,417

**Working capital goals/insurance reserves established and maintained.



Special Revenue Funds

These funds account for revenues used for specific purposes, including housing and community development, communications, public health initiatives and law enforcement activities.

		2003 Budget	2004 Budget	Funding
Community Development	Airport South Environment Review	$150,000	$30,000	Environmental review fees
Community Services	Communications	1,273,914	868,920	Franchise fee/other fund charges
	Public Health Special Revenue	801,400	809,073	Funded by state grants
Public Safety	Pension Residual Asset Fund	7,036,575	4,615,846	One-time reimbursement*
	Police Special Revenue	234,000	226,696	Forfeited assets and grants

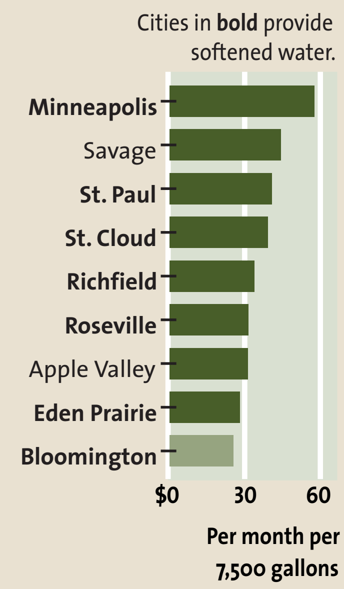
*Used for new Police headquarters and ongoing Police operations.

2003 Residential Water and Sewer Rate Survey

Monthly costs to residents in nine cities for water and sewer service varied greatly in 2003, from $25.57 per 7,500 gallons in Bloomington to $58.08 in Minneapolis. Most of the cities, including Bloomington, soften their water before distribution to residents.

The City's softened water and sewer services are bargains at only 1 cent per 2.9 gallons – another example of how the City's quality services are a good value for your tax dollar.

Water and sewer rates



Meeting water needs

City wins Project of the Year Award

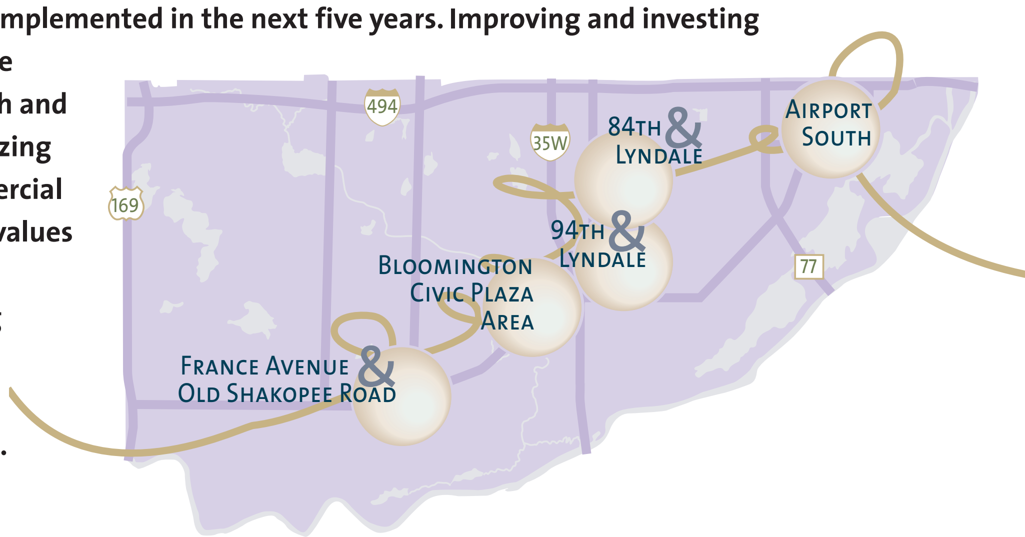
In 2003, the City of Bloomington captured the Minnesota Public Works Association's Project of the Year Award for its Water Treatment Plant expansion project. Completed in fall 2002, the expansion doubled the plant's groundwater treatment capacity and allows the City to meet Bloomington's growing residential and commercial drinking water needs. Judges praised the City for its outstanding work during construction including:

- Implementing good management techniques and completing the project on schedule.
- Maintaining an excellent safety performance and good overall safety program.
- Improving community relations by minimizing inconvenience, protecting lives and property through safety precautions, and providing observation areas and tours.
- Protecting the environment.
- Maintaining quality control and utilizing time and/or money-saving techniques.

STRATEGIC MOVES TO REVITALIZE CITY
REDEVELOPMENT PRIORITIES ARE CALLED THE "STRING OF PEARLS"

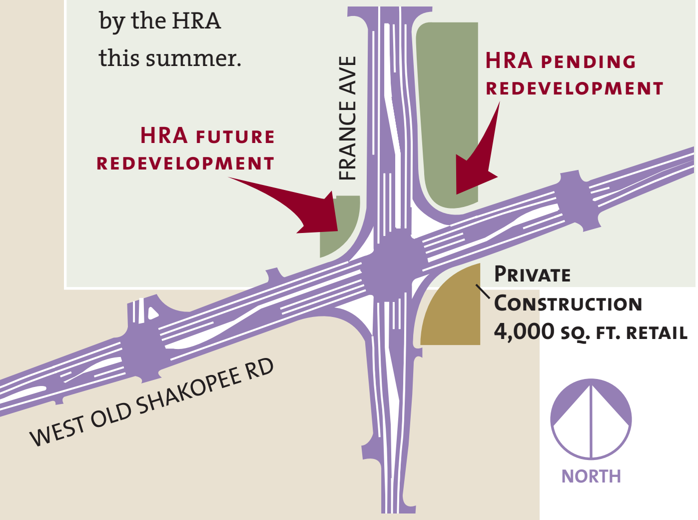
REVITALIZING OUR COMMUNITY REQUIRES STRATEGY. IT BEGINS WITH A well-designed plan. Then, with patience and skill, the moves that guide Bloomington on the path to success are executed.

To renew the community for the long term, the City Council has chosen five top redevelopment priorities for our city called the "String of Pearls" to be implemented in the next five years. Improving and investing in these areas strike the balance between growth and quality of life by revitalizing our community's commercial areas, increasing home values in the surrounding neighborhoods, offering housing alternatives and maximizing the impact of City resources.



FRANCE & OLD SHAKOPEE ROAD

Public improvements including street widening, new turn lanes, sidewalks, signals, medians and landscaping are currently underway. A 4,000 square foot retail building was constructed last fall on the southeast quadrant of the intersection. The majority of the remaining properties have been acquired in the northeast corner of the redevelopment site. The Housing and Redevelopment Authority (HRA) held a community open house in May to allow people to see the three development proposals. A developer will be selected by the HRA this summer.



94TH & LYNDALE

Construction is underway on Realife's 96-unit senior cooperative scheduled for completion in August 2004.

84TH & LYNDALE

The Housing and Redevelopment Authority, in partnership with United Properties, will construct a new Cub Foods store and 10,000 square foot retail center, 75 to 100 units of senior housing and 50 to 60 townhouses. Construction on the retail portion of the redevelopment began in May.

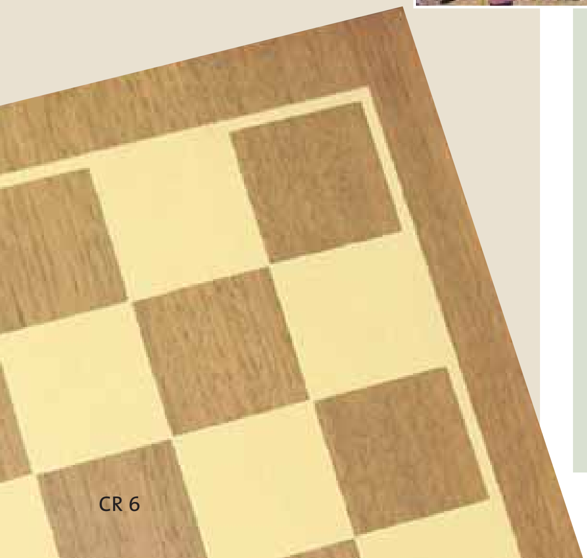
BLOOMINGTON CIVIC PLAZA
PLANNING FOR OUR COMMUNITY'S FUTURE

City facilities were enhanced to improve customer service and provide the best long-term value to the community. Opened for business in May 2003, Bloomington Civic Plaza houses Police and City administrative functions and a Center for the Arts, including performing and visual arts space. *See photos left.*

The 18-month project, completed on time and within budget, was built from on-hand reserves and existing revenue streams at a total cost of $38 million without increasing property taxes beyond 2002 levels. Since 1990, the City has been saving money for future facility needs in a Capital Replacement Fund that funded almost 80 percent of costs. Overall, capital expenditures, including all City facilities and equipment, are only five percent of the City's total budget.

In July, approximately 3,000 people attended a two-day open house at Bloomington Civic Plaza. *See photo left.* Highlights included a dedication and ribbon-cutting ceremony, performances by fine arts groups, historical displays, Police K-9 and Bomb Squad demonstrations, fire truck and Public Works equipment displays, and tours of the new facility.

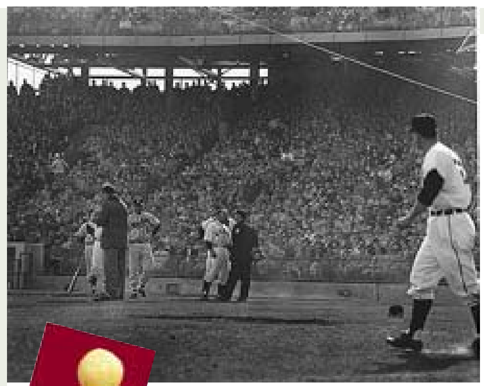
Constructing Bloomington Civic Plaza revitalized a highly visible parcel at 98th Street and Old Shakopee Road that opened the door for other redevelopment in the area. For instance, the move freed up the old municipal building site at 2215 West Old Shakopee Road for redevelopment. The seven-acre site situated on Nine Mile Creek will be used for 128 condominiums and 40 townhouses. *See photo right.* The Village on 9 Mile Creek development will be valued around $50 million, more than six times the value of commercial and industrial property on the site now occupied by Civic Plaza, and will substantially increase the City's tax base.



Airport South

The Airport South Project, started in 1981, is a strategic initiative to encourage commercial development in Bloomington. The project has improved public infrastructure in the Airport South Development District, paving the way for new business developments that will secure additional employment opportunities and substantially increase the City's tax base.

Here are the winning moves that have made Airport South a success and ensured Bloomington status as a thriving community.



Opening move

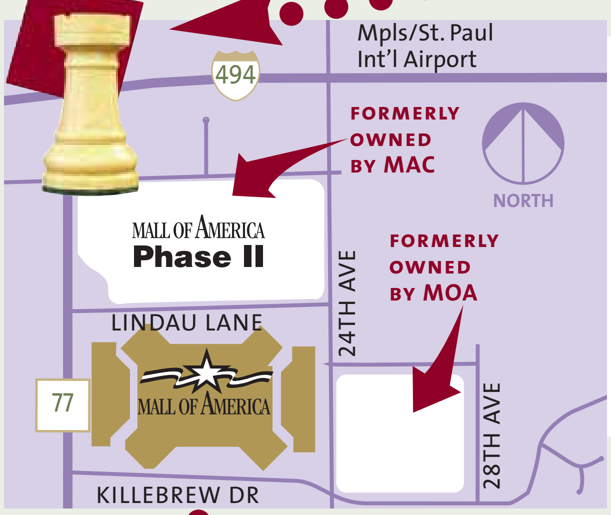
In 1978, a state sports commission decided to build the Metrodome in downtown Minneapolis and relocate Minnesota's Twins and Vikings from Bloomington's Metropolitan Stadium. Not the best news for the community, but thanks to forward-thinking leaders, it became the catalyst for redevelopment in the Airport South area. Eight years later, Met Stadium was demolished and, overcoming much opposition and many challenges, the nation's largest retail and entertainment complex was constructed in its place. It would prove to be a key move for Bloomington.

Laying groundwork for the future

Infrastructure improvements set the stage for more development and better access in the Airport South area. The first round of improvements occurred prior to the Mall of America's opening in 1992. Round two began in April 2004 and includes widening and reconstructing one of Airport South's main links, Lindau Lane from TH77 to 24th Avenue, to accommodate the increased traffic due to the Mall's Phase II development. Infrastructure improvements are funded through assessments to the Mall and Airport South tax increment funds. Work is scheduled for completion in fall 2004.

Achieving success

The Mall of America, opened for business in 1992, has helped Bloomington become one of America's top tourist destinations. With 99 percent of its retail space leased, approximately 520 stores and 13,000 employees, the Mall attracts more than 43 million visitors annually. Airport South has experienced a positive change due to the Mall's success with many new hotels, restaurants and businesses.



Exchanging pieces

In a multi-phased process that began in 1994, an agreement to swap properties between the Mall of America Company and the Metropolitan Airports Commission (MAC) was finalized in 2002. The land swap cleared the way for the Mall of America Phase II development on the site formerly used by the Met Center. MAC took the 33 acres east of the Mall in order to restrict development within the new North/South runway's airport safety zone.

Bloomington welcomes IKEA

Home furnishings store opens this summer

Breaking ground in June 2003 and opening on July 14, 2004, the 336,000 square foot home furnishings store could be considered a major tourist destination in itself. IKEA will carry more than 9,000 products and feature 50 different room settings, four model homes and a 350-seat restaurant serving Swedish specialties.

Max Hedberg, Bloomington IKEA store manager, said the proximity to the Mall of America is an ideal location.

"We are very pleased to be next to the largest entertainment and retail complex in the United States," Hedberg said. "The Twin Cities is an exciting market and although we expect many out-of-town shoppers, we are going to work on attracting local people throughout the week."

IKEA currently has more than 190 stores in 31 countries, including 18 in the United States.

Looking ahead

The Mall of America's next venture is dependent upon the status of legal issues between the Mall partners. A proposed lifestyle center integrates specialty retail, restaurants, hotel, office, performing arts and entertainment uses in an urban setting. Kicking off the Mall of America Phase II is the construction of IKEA. *See sidebar.*

Developing major initiatives

Light rail transit is already proving advantageous for Bloomington. The City is working with McGough Development to approve their $600 million mixed-use, transit-oriented development located at Bloomington Central Station. The first phase of construction is scheduled to begin in 2004. *See right.*

Light rail is scheduled to begin full service in December 2004 from downtown Minneapolis to the Mall of America's transit station under the east parking deck.

4,234

Influenza and pneumonia immunizations given by Public Health.

Strategizing the 2004 Budget

A metropolitan area comparison

Budget shortfalls in 2003 forced many Minnesota cities to make tough decisions. A $4.5 billion state budget deficit that affected aid cities receive and the downturn in the economy presented many challenges. Some cities responded by reducing services, eliminating positions, raising taxes, increasing fees or drawing down reserves set aside in prior years for these purposes.

The City of Bloomington has been very conservative over the last 10 years, keeping services at levels that could be sustained in a downturn. To balance its 2004 budget, the City utilized the property tax levy, reduced expenditures by $1.7 million and implemented the use of one-time reserves.

In 2003, Bloomington's Finance Department conducted a survey to gather information and share ideas on how neighboring communities were strategizing their 2004 budgets. The 25 respondents described significant impacts felt by state aid cuts and a variety of strategies used to offset the loss. *See graph below.*

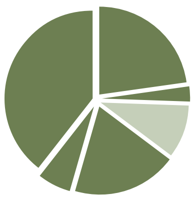
To balance their 2004 budgets, 68 percent of cities responded that they levied to the state-imposed levy limit. **Bloomington's levy of 5.75 percent was $1.8 million below the state limit.**

Filling the Budget Gap

Common relief strategies used by 25 metropolitan area cities

17	Levied to the state-imposed limit.
16	Reduced expeditures or cut services.
12	Increased or implemented new fees.
10	Used reserves.
10	Eliminated or didn't fill open positions.

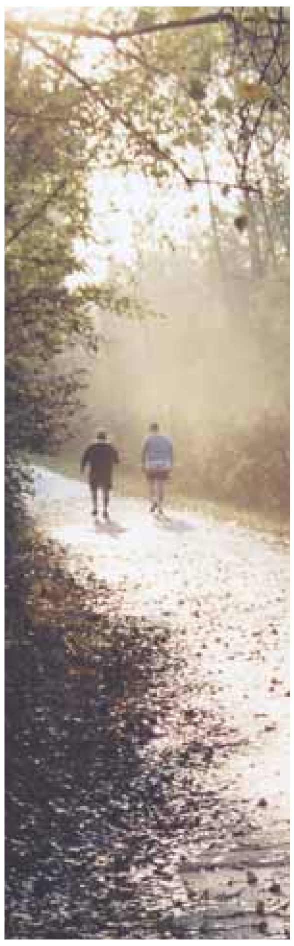
Note: Total is more than 25 because cities used multiple relief strategies.



Capital Funds

Capital funds purchase and improve major assets such as land, structures, equipment and streets.

2003 Budget	2004 Budget
$15,248,835	$10,477,717



Housing and commercial property rehabilitation

Since 1997, the City has provided $8 million for property enhancement initiatives such as the acquisition of vacant gas stations and the rehabilitation of blighted properties. Budgeted for 2004 is $1,517,717 to complete the Lyndale Green project, 84th Street and Lyndale Avenue, and continue redevelopment of the properties around France Avenue and Old Shakopee Road. *See page CR6.*

Parks

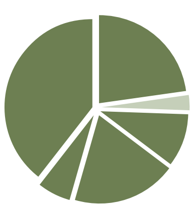
Major park improvements scheduled in 2004 include a 3.34-mile trail through Hyland Park and along portions of Bush Lake Road to be installed in late summer. The $1.4 million project is funded through a combination of federal, state and Metropolitan Council grants and the City of Bloomington.

Pavement Management

The Pavement Management Program is a funding and implementation plan for repair, maintenance and reconstruction of Bloomington roadways. Needs are identified and funded through State aids, assessments and an annual levy. To maximize efficiency, the most opportune time to repair streets is calculated and the funding needs are levied over several years. Approximately $4.5 million is budgeted for program expenditures in 2004. As the program moves forward resources will need to be increased by $1.7 million.

Public Works garage addition

Approximately 71,000 square feet of vehicle storage was constructed in 2002 to protect the more than $16 million invested in Public Works equipment. A 43,000 square foot storage building to house remaining equipment will be constructed when additional funds become available.



Debt Service

2003 Budget	2004 Budget	Average net property tax cost per month
$3,408,356	$3,054,922	$4.39 *See page CR2.*

Many community needs must be met by the City of Bloomington including street and infrastructure work, construction projects and equipment purchases. The City's ability to issue future debt at lower interest rates will provide for our community's upkeep and renewal without substantially increasing property taxes for debt service.

Outstanding debt

The City's total outstanding General Obligation debt on December 31, 2003, was $25 million. The statutory debt limit for Bloomington is $183,640,000 or $2,035 per capita.

The City's net debt per capita is $243. *See right.* The net debt includes all general obligation debt of the City, the Housing and Redevelopment Authority and the Port Authority.

Housing General Obligation Revenue Bonds	$ 7,555,000
Port Authority Bonds	52,580,000
City of Bloomington Debt	25,120,000
TOTAL	**$85,255,000**
Less: Revenue funded bonds	*(55,630,000)*
Amount on hand	8,932,158
NET DEBT as of 12/31/03	**$20,692,842**
NET DEBT per capita	**$243**

What do you think?

Direct your comments and suggestions to the Finance Department, phone: 952-563-8790, e-mail: finance@ci.bloomington.mn.us. Visit www.ci.bloomington.mn.us to find out more about the City's services.

About this report

The City Council presents this corporate report of financial and related information to show how Bloomington's city government performs.

Mayor
Gene Winstead, 952-888-1258 (h); gwinstead@ci.bloomington.mn.us

City Manager
Mark Bernhardson, 952-563-8780
citymanager@ci.bloomington.mn.us

Councilmembers: council@ci.bloomington.mn.us
Dave Abrams, 952-833-0505 (h)
Amy Grady, 952-884-6502 (h)
Steve Peterson, 952-884-3262 (h)
Steve Elkins, 612-578-2103 (c)
Heather Harden, 952-835-5919 (h)
Vern Wilcox, 952-854-1425 (h)

The City of Bloomington reports financial year-end results in a 155-page report called the *Comprehensive Annual Financial Report* (CAFR). *The City of Bloomington Corporate Report to the Community* summarizes the most significant data from the *2003 CAFR* and the *2004 Budget Document* and is unaudited. We have used this report to communicate financial information for the past seven years. For a complete review of the City's financial position for 2003, consult the *CAFR for the Year Ended December 31, 2003*, available in the Hennepin County Library or from the City. Contact us at 952-563-8790 for information.